

**STATEMENT OF  
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BEFORE THE  
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT  
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
U.S. HOUSE OF REPRESENTATIVES**

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The U.S. Saint Lawrence Seaway Development Corporation (SLSDC or Corporation), a wholly owned government corporation and an operating administration of the U.S. Department of Transportation (DOT), is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, N.Y., and vessel traffic control in areas of the St. Lawrence River and Lake Ontario. In addition, the SLSDC performs trade development functions designed to enhance Great Lakes St. Lawrence Seaway System utilization.

For more than 45 years, the binational St. Lawrence Seaway has served as a vital transportation corridor for the international movement of bulk and general cargoes such as steel, iron ore, grain, and coal, serving a North American region that makes up one quarter of the U.S. population and nearly half of the Canadian population. Maritime commerce on the Great Lakes Seaway System, a critical transportation link for the continent's agricultural and industrial heartland, generates more than 150,000 U.S. jobs, \$4.3 billion in personal income, \$3.4 billion in transportation-related business revenue, and \$1.3 billion in federal, state, and local taxes.

The SLSDC coordinates its activities with its Canadian counterpart, the St. Lawrence Seaway Management Corporation (SLSMC), particularly with respect to rules and regulations, overall day-to-day operations, traffic management, navigation aids, safety, environmental programs, security, operating dates, and trade development programs. The unique binational nature of the Seaway System requires 24-hour, year-round coordination between the two Seaway entities.

The SLSDC's principal performance goal is to provide a safe, secure, reliable, and efficient U.S. portion of the St. Lawrence Seaway to its commercial users. Since its opening in 1959, more than 2.4 billion metric tons of cargo has been transported through the combined sections of the St. Lawrence Seaway (Montreal-Lake Ontario and Welland Canal) with an estimated value of more than \$400 billion.

The navigation season typically runs from late March to late December. During the 2004 navigation season, the availability of the U.S. sectors of the Seaway, including the two U.S. locks maintained and operated by the SLSDC, was 99.0 percent, meeting the annual goal of 99 percent. The majority of causes for delays were weather and vessel incidents. Of the remaining factors that cause lockage shutdowns, the one that the SLSDC has the most control over is the proper functioning of lock equipment. During the 2004 navigation season, delays due to malfunctioning lock equipment totaled 6 hours, 15 minutes, representing less than one-tenth of one percent of the entire navigation season.

## **FISCAL YEAR (FY) 2006 BUDGET ESTIMATE**

The Saint Lawrence Seaway Development Corporation (SLSDC) FY 2006 proposed funding level of \$17,184,000 includes an appropriation request of \$8,000,000 from the Harbor Maintenance Trust Fund (HMTF), \$8,284,000 through the proposed re-establishment of U.S. Seaway commercial tolls, and \$900,000 in estimated non-federal revenues. This funding level will allow the agency to fund its 157 Full-Time Equivalent (FTE) staff and continue the day-to-day operational and maintenance programs for the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie.

These programs include managing vessel traffic control in areas of the St. Lawrence River and Lake Ontario, and maintaining, operating, and securing the two U.S. Seaway locks located in Massena, N.Y. In addition, the SLSDC performs trade development activities designed to enhance Great Lakes St. Lawrence Seaway System awareness and utilization.

A legislative proposal to re-establish U.S. Seaway commercial tolls as a self-funding mechanism for the SLSDC will be transmitted during this Congress. The SLSDC was a self-funded government corporation through commercial tolls from the Seaway's inaugural season in 1959 to 1987. Since April 1, 1987, the SLSDC has been funded primarily through an appropriation from the HMTF, coupled with its other non-federal revenues (interest income, pleasure craft tolls, concession operations, rental payments, etc.).

The FY 2006 request of \$16,284,000 is \$577,000 above the FY 2005 enacted level. This change is directly attributable to:

- \$520,000 increase in net personnel compensation and benefits;
- \$56,000 increase in inflationary adjustments; and a
- \$25,000 increase in projected General Services Administration rent for the Washington office.

Also included in this change is a \$24,000 reduction in Working Capital Fund projections. In summary, the FY 2006 budget request is a "current services" budget over the FY 2005 enacted level that provides the agency with sufficient funding to meet those increased costs that are outside the control of SLSDC management.

The request also directly supports four of the five President's Management Agenda initiatives (budget and performance integration, strategic management of human capital, financial performance improvement, and electronic government expansion; the SLSDC is exempt from competitive sourcing as a government corporation), the Department's strategic goals of Global Connectivity (efficient cargo movement) and Security (transportation system recovery), as well as the SLSDC's internal strategic goals. These goals include safety, security, and the environment; reliability and availability; trade development; and management accountability. The request, separated by Department strategic goals and performance measures, includes \$16,034,000 in appropriated funds directed at maritime navigation programs and personnel, and \$250,000 towards the SLSDC's security and infrastructure protection activities.

## **U.S. SEAWAY COMMERCIAL TOLLS PROPOSAL**

The President's FY 2006 budget proposes to re-establish U.S. Seaway commercial tolls as a self-funding mechanism for the SLSDC. Proposed legislation will be delivered to the Congress that will allow the SLSDC to collect fees to support its operations, maintenance, and capital needs. For FY 2006, the budget proposal calls for \$8.0 million in appropriations from the HMTF, with the remaining \$8.284 million derived from the collection of commercial tolls. Beginning in 2007, the proposal calls for complete self-sufficiency. The near 50 percent split between tolls and traditional appropriations from the HMTF in the FY 2006 request was based on an assumption that U.S. Seaway toll collections would begin with the start of the 2006 navigation season (late March / early April), which is the halfway mark of the fiscal year.

The 10-year savings credited to the authorizers would equal \$170 million. OMB will work with the Congress to reclassify these enacted fees as discretionary beginning in FY 2007. The proposed legislation will also include additional financial flexibilities to allow the SLSDC to generate a higher level of non-federal revenues and provide additional services to its stakeholders as part of its core mission.

The Administration supports efforts to improve service delivery and believes that this proposal would enable SLSDC to function more like a private corporation. The SLSDC's Canadian counterpart, the St. Lawrence Seaway Management Corporation, directly supports its operations through fees. The Canadian SLSMC is a not-for-profit corporation managing and operating the Canadian assets of the St. Lawrence Seaway for the federal government under a long-term agreement with Transport Canada.

U.S. tolls would only be collected in the Montreal-Lake Ontario section of the Seaway, where the SLSDC owns and operates two of the seven locks in that section in Massena, New York. The toll levels established would be based on the type of cargo being shipped as well as a vessel charge based on the gross registered tonnage of the transiting vessels.

The reinstitution of U.S. Seaway tolls would require diplomatic coordination and collaboration with Canada as it relates to the 1959 Seaway Tariff of Tolls Agreement. U.S. Seaway toll levels would be subject to the binational agreement and to the U.S./Canadian Seaway toll negotiations process. These negotiations would include both the toll levels for each commodity as well as the revenue split between the two entities.

## **MAJOR SLSDC PROGRAMS AND ACTIVITIES**

### **Concrete Replacement Project**

In January 2006, the SLSDC is expected to begin the first year of work on a four-year, \$6 million concrete replacement project at the two U.S. Seaway locks (*first year funding provided in FY 2005; however, funding was not made available in time to complete the work in FY 2005*). The SLSDC plans to use contractors for the concrete project with SLSDC personnel providing lock covering work and stairway construction. The \$1.5 million requested for FY 2006 is already available in the agency's base level funding.

The replacement of deteriorated concrete has historically been one of the SLSDC's most expensive maintenance projects dating back to the Seaway's opening in 1959. The majority of the concrete replacement has occurred at the U.S. Eisenhower Lock, which has had a history of concrete problems. Between 1959 and 2003, the SLSDC expended more than \$25 million on concrete replacement at the two locks during the off-season winter months, with the majority of work taking place at the Eisenhower Lock.

Since 1991, the SLSDC has made in-house repairs to the most critical areas identified by the Corps, but further deterioration and harsh winter conditions have caused additional damage to the lock walls at Eisenhower Lock and newly-identified problems at the Snell Lock have also been targeted for replacement. In addition to concrete deteriorating along the lower portions of the lock walls, freeze-thaw damage is significant in the lock walls at high and low pool levels at both locks. As it deteriorates, pieces of concrete become dislodged and fall into the lock chambers. This poses a risk to people on the decks of commercial vessels and pleasure boats.

Due to the amount of concrete in need of replacement, the difficulties associated with accessing these areas of deteriorated concrete, and the need for in-house maintenance crews to focus on other non-concrete lock maintenance projects, it is more efficient and cost effective for outside contractors to complete the project than in-house personnel.

The last major concrete replacement projects that utilized contractors were completed in FYs 1986 and 1987, at a total cost of \$4.3 million. The Seaway is a single-lock system, consisting of 15 individual U.S. and Canadian locks; a delay/shutdown to any one of the locks would cause a delay/shutdown of the entire waterway. Although the SLSDC has never experienced a major lock failure, the Canadian Seaway agency suffered a lock failure at the Welland Canal in 1985, which trapped 53 vessels above the Canal for 24 days at a cost to the carriers of \$24 million Canadian.

#### Capital Equipment and Infrastructure Projects

Following the 2004 celebration marking the 50<sup>th</sup> anniversary of the beginning of construction of the St. Lawrence Seaway, the need to ensure that the two U.S. Seaway locks are safe, reliable, and efficient becomes an even more important agency priority. Costs for repairing, maintaining, and preserving the locks in working condition are increasing annually. For FY 2006, the SLSDC is proposing a capital plan for equipment and projects of \$1,510,000, which is an increase of

\$140,000 over the FY 2005 enacted level. This increase was offset by a proposed reduction in other operating activities.

Like any concrete-based transportation infrastructure, time, weather, and usage exact a toll on availability. Adding to the deterioration of the lock structures are the freeze and thaw cycles resulting from the harsh winter weather conditions in Upstate New York. The U.S. Seaway locks have never experienced a major shutdown due to lock equipment malfunctioning. This significant accomplishment is due, in large part, to the SLSDC's pro-active preventative maintenance program that targets lock machinery, parts, and equipment in need of inspection, repair or replacement.

The SLSDC's annual capital plan details equipment and projects necessary to maintain the lock infrastructure, buildings, and other property. Each year, SLSDC engineering and maintenance teams update their plans for the next five years including a five-year capital plan for equipment and projects. The agency's five-year plan is based on lock inspections, projected lifecycles of parts and machinery, and the U.S. Army Corps of Engineers' 1999 Seaway lock survey and evaluation.

SLSDC officials take advantage of the Seaway's closure during the winter months to remove the water from the locks, inspect critical lock parts and components, and perform necessary repairs and upgrades. Without sufficient funding to make the necessary capital replacements and improvements each year, the risk of a lock malfunction or shutdown increases. It is vital that the SLSDC continue to complete its capital and maintenance programs, as planned, to ensure that the Seaway System remains safe, reliable, and efficient.

Major capital expenses projected for FY 2006 include: replacement of one of the existing original culvert valves from the 1950s (\$270,000); replacement of a 20-year-old, 20-ton capacity hydraulic crane used for lock and facility maintenance activities (\$240,000); repair of paved areas along the approach walls at the locks that are used by SLSDC personnel and vessel crew members for tying up vessels during transits (\$170,000); and replacement of the 25-year-old rubber and oak timber fenders on the downstream miter gate at Snell Lock (\$160,000).

As noted previously, the Seaway lock system, consisting of 15 U.S. and Canadian locks, is a single lock system; a delay/shutdown to any one of the locks would cause a delay/shutdown of the entire waterway. Daily vessel operating costs can range \$20,000-\$25,000; these are costs incurred whether sailing, in port, or awaiting resolution of an emergency.

#### Foreign-Flag Vessel Inspections and Ballast Water Exams

In FY 2006, the SLSDC will continue to perform its Enhanced Seaway Inspection (ESI) program, inspecting all ocean vessels for safety and environmental protection issues in Montreal, Quebec, before they enter U.S. waters. The SLSDC and the U.S. Coast Guard (USCG), in conjunction with Transport Canada and the SLSMC, signed a Memorandum of Understanding in March 1997 to develop the program of coordinated vessel inspection and enforcement activities to expedite the safe transit of shipping through the Great Lakes Seaway System. Starting in 2002, security-related risk assessment inspections were also completed concurrently with the ESI by SLSDC marine inspectors, improving transit times for Seaway users. Beginning July 1, 2004, in response to the new International Ship and Port Facility Security Code (ISPS Code), the USCG is now performing the security portion of the inspection process in Montreal.

During the 2004 navigation season, the SLSDC achieved its internal performance goal of inspecting all ocean vessels with 224 inspections completed, all performed by SLSDC marine inspectors. The enhanced vessel inspection program exemplifies the Department of Transportation's goal of partnering for excellence.

The ballast water exchange program continues to be an important function of the ship inspection program. These inspections are carried out concurrently with the ESIs, by SLSDC personnel in

Montreal and by USCG and Corporation staff at Snell Lock in Massena. These programs support the Oil Pollution Act of 1990 and the Non-Indigenous Aquatic Nuisance Prevention and Control Act of 1990. During the 2004 navigation season, there were 52 ballast water exams conducted in Montreal and 32 in Massena, N.Y.

### Security Activities

The SLSDC will continue to operate and maintain the St. Lawrence Seaway with a heightened awareness towards security during FY 2006. SLSDC staff will continue to be trained and tested on the agency's contingency measures in the event of a security or terrorist-related incident. In addition, SLSDC staff will continue to aggressively pursue the objectives of its security program, which includes greater protection of SLSDC facilities, improved measures for employee and visitor entry into facilities, and planned contingencies for facilities/infrastructure in the event of a heightened security alert. The SLSDC will also continue to work collaboratively with federal security and intelligence agencies as situations arise.

### **2004 NAVIGATION SEASON OVERVIEW**

The estimated tonnage for the St. Lawrence Seaway in 2004 was 43.0 million metric tons. This was 2.2 million metric tons or 5 percent above the 2003 level. The increase was led by a resurgence in general cargo movements, which increased 66 percent to 4.2 million metric tons, the highest level since the 2000 season. These high-valued commodities include processed iron and steel and steel slabs. A robust national economy, coupled with a rebound in manufacturing and steel production in the Great Lakes region, sparked the sizable gain in general cargo. The increase in import iron and steel products also led to increased exports of non-grain bulk commodities, including salt (up 8 percent to 2.4 million metric tons) and coke (up 23 percent to 1.3 million metric tons). In addition to cargo movements, estimated total commercial transits through the St. Lawrence Seaway were 4,060, an increase of 4 percent over 2003 levels.

Other major commodities that moved on the St. Lawrence Seaway in 2004 included iron ore (down 4 percent to 10.2 million metric tons), grain (down 4 percent to 9.3 million metric tons – due principally to lower-than-expected late season movements due to poor Canadian harvest), coal (4.2 million metric tons, equal to 2003 levels), cement (up 3 percent to 2.7 million metric tons), and stone (up 49 percent to 1.2 million metric tons).

### **CONCLUSION**

The FY 2006 request reflects the Administration's commitment to providing the global commercial users of the St. Lawrence Seaway with a safe, secure, efficient, and reliable transportation route. The binational waterway serves as a vital waterborne link between major U.S. and Canadian agricultural, manufacturing, and industrial centers, including Chicago, Detroit, Toronto, Hamilton, Cleveland, Duluth, Thunder Bay, Toledo, and Milwaukee, and European, South American, and North African markets. The Administration's proposal to make the SLSDC a self-sufficient agency partially in FY 2006 and completely starting in FY 2007 will give the agency greater efficiencies and flexibilities to complete its core mission and operate as a business-type government corporation.

The SLSDC will continue to work towards achieving its goal of 99 percent system availability by providing a safe, secure, reliable, and efficient waterway and lock system. This will be accomplished through its primary operational programs of winter maintenance to make capital and equipment improvements to the lock infrastructure, and efficient vessel traffic control, utilizing Automatic Identification System technologies to improve safety, security, and transit times, and vessel inspections for safety compliance. In addition, the concrete replacement project that is expected to continue in FY 2006 is a crucial step towards ensuring that the Seaway locks are structurally sound to continue providing for the safe, efficient, and reliable transits of commercial vessels. A reduction in the Seaway's availability rate could result in commercial users seeking alternative transportation routes and modes to and from North America, negatively affecting Great Lakes Seaway System economic benefits while increasing road congestion, fuel imports, air emissions, and degrading quality of life issues.

Funding levels insufficient to meet legislatively-mandated personnel compensation and benefits increases and necessary maintenance and repair projects to the lock infrastructure will, at a minimum, jeopardize the SLSDC's ability to provide its customers with a safe and reliable transportation system. An even worse scenario would be a lock malfunction due to the agency's inability to complete necessary and recommended improvements and replacements, causing transportation delays throughout the binational system and redirecting the waterway's competitive customer base to other modes and routes of transportation.

The St. Lawrence Seaway has proven its vital significance to America's economy over almost half a century. It is a critical marine waterway for annual movement of tens of millions of tons of bulk and general commodities into and from North America's industrial and agricultural heartland. The SLSDC budget request will provide the agency the necessary resources to provide a safe and efficient transportation route, while also improving the long-term structural integrity of the U.S. Seaway infrastructure, through concrete replacement and capital replacements and improvements.

I want to thank you Chairman Duncan, Ranking Member Johnson, and all the members of the subcommittee for your continued support of the Seaway System. I look forward to working with you and am glad to respond to any questions you may have on my testimony.

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